DOCUMENT RESUME

ED 228 503 CE 035 697

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TITLE Planning the Marketing Strategy. PACE Revised. Level 2. Unit 6. Research & Development Series No. 240BB6.
INSTITUTION Ohio State Univ., Columbus. National Center for Research in Vocational Education.
SPONS AGENCY Office of Vocational and Adult Education (ED), Washington, DC.
PUB DATE 83
CONTRACT 300-78-0032
NOTE 25p.; For related documents, see CE 035 672-729.
AVAILABLE FROM National Center Publications, Box F, The Ohio State University, 1960 Kenny Road, Columbus, OH 43210 (Complete set--$120.00; individual levels--$45.00 each; instructors' guides--$14.50 each; resource guide--$7.95; module sets--$35.00 each level; individual modules--$2.50 each).
PUB TYPE Guides - Classroom Use - Materials (For Learner) (051)

EDRS PRICE MF01/PC01 Plus Postage.
DESCRIPTORS Administrative Principles; Adult Education; Behavioral Objectives; Business Administration; *Business Education; *Business Skills; Career Choice; Educational Resources; *Entrepreneurship; Learning Activities; Learning Modules; Management Games; Managerial Occupations; *Marketing; *Planning; Postsecondary Education; Secondary Education; *Small Businesses; Units of Study
IDENTIFIERS *Program for Acquiring Competence Entrepreneurship

ABSTRACT

This unit on planning marketing strategy for a small business, the sixth in a series of 18 modules, is on the second level of the revised PACE (Program for Acquiring Competence in Entrepreneurship) comprehensive curriculum. Geared to advanced secondary and beginning postsecondary or adult students, the modules provide an opportunity to learn about and try out entrepreneurship ideas so that students can make a preliminary assessment of how these ideas relate to personal needs. The units on this level contain detailed explanations of small business principles, suggestions on how to find information and use techniques, and encouragement for creating a future business. Students completing this unit should be able to perform these competencies: (1) explain the "market-oriented" approach to planning, (2) list the controllable factors in each element of the marketing mix, (3) justify the use of market information and market research in planning, (4) develop a procedure for identifying target markets and developing a marketing mix, and (5) outline a marketing plan. The unit is organized into five sections. Following a preliminary section on how to use the unit (with vocabulary and a review of the objectives for this topic on level 1), the unit's information is presented in question-and-answer format. Individual and group activities, an assessment to be completed with the teacher, and sources used to develop the unit follow. A list of the modules of Revised PACE, Level 2 completes the unit. (KC)

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PACE
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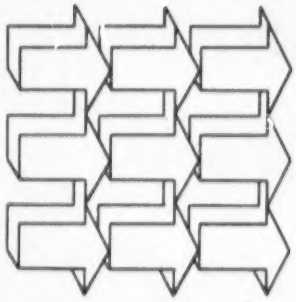

UNIT 6

☐ Level 1
☑ Level 2
☐ Level 3

Planning the Marketing Strategy

Developed by M. Catherine Ashmore and Sandra G. Pritz

You will be able to:

- **Explain the "market-oriented" approach to planning.**
- **List the controllable factors in each element of the marketing mix.**
- **Justify the use of market information and market research in planning.**
- **Develop a procedure for identifying target markets and developing a marketing mix.**
- **Outline a marketing plan.**

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Research & Development Series No. 240 BB 6

BEFORE YOU BEGIN . . .

1. Consult the Resource Guide for instructions if this is your first PACE UNIT.

2. Read the Unit Objectives on the front cover. If you think you can meet these objectives now, consult your instructor.

3. These objectives were met at Level 1:

   - Discuss the economic concepts that influence marketing decisions
   - Identify important marketing activities
   - Explain how marketing aids business people and consumers.
   - Define the terms "target market" and "marketing mix."
   - Summarize the steps to be completed in developing a marketing plan.

   If you feel unsure about any of these topics, ask your instructor for materials to review them.

4. Look for these business terms as you read this unit. If you need help with their meanings, turn to the Glossary in the *Resource Guide*.

   buyer's market
   buying motives
   channel of distribution
   consumer market
   industrial market
   market segmentation
   marketing concept
   marketing plan
   nonbusiness organization market
   seller's market

PLANNING THE MARKETING STRATEGY

WHAT IS THIS UNIT ABOUT?

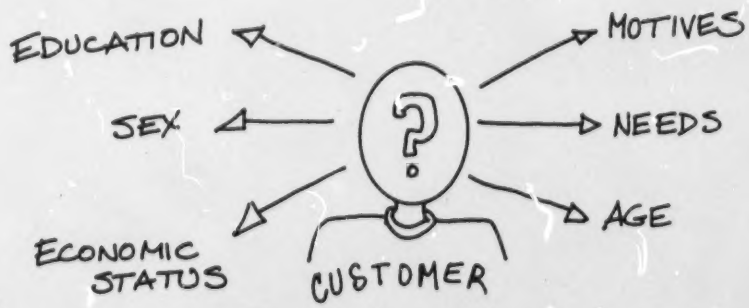
A basic goal of any business is to sell its products or services. Marketing activities help a business sell products at a profit. Those profits provide the resources needed to develop new products or services. Marketing activities help businesses make the profits needed for the survival of the business. Those same profits are needed for the health and ultimate survival of our entire economy. Without profits, it would be difficult for businesses to buy additional raw materials, hire more employees, and sell more products that, in turn, make more profits.

Marketing helps consumers develop a higher standard of living. Marketing can help control the costs of the products and services. It helps consumers get the most satisfaction from the goods and services they buy. To the degree that marketing is able to do this, it serves both consumers and businesses.

WHAT IS THE MARKETING CONCEPT?

The *marketing concept* means that a business is interested in consumer satisfaction, with the objective of achieving long-term profits. The company with a marketing concept believes that customer satisfaction should be the basis of all management decisions.

Providing satisfaction to customers and making profit for the company are accomplished through a coordinated set of activities. First, a business must identify the customers to be served. Then, it must find out what will satisfy these customers. With this information, the business can develop the right products and services.



Next, the business must make the products available to the customers when they want them and where they want them. Products may need to be improved to keep pace with changes in customer needs and wants. The marketing concept stresses the importance of customers to a business. Marketing activities begin and end with them.

WHAT IS THE HISTORY OF THE MARKETING CONCEPT?

Historically, the marketing concept was developed in a few businesses shortly after World War II. Until that time, the economy could be classified as a seller's market (one with a shortage of goods and services). There was little pressure on businesses to worry about marketing, since the shortage of products meant strong consumer demand. If a company could make a product, someone would buy it. When the war ended, however, factories stopped manufacturing military equipment and turned to the production of consumer goods

again—an activity that had, for all practical purposes, stopped in early 1942. This was the beginning of the buyer's market (one with a choice of goods and services) that characterizes today's economy. With a buyer's market, goods have to be produced that customers first want to buy.

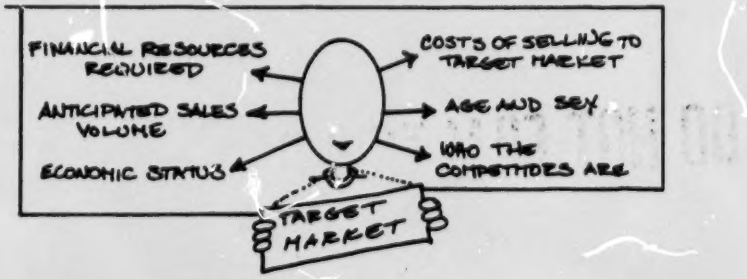
The actual definition of the marketing concept was developed when the General Electric Company published its Annual Report in 1952. In this report, GE described its new idea of business management. According to this strategy, marketing was to be a part of the production process rather than something that happened after products were made. Manufacturers, designers, researchers, and engineers would need to keep up to date with consumer needs and wants. Marketing would help influence all phases of the firm's business. That would include product planning, scheduling, inventory control, sales, distribution, and service. Marketing was needed because of the information it could provide.

WHAT TYPES OF MARKETING INFORMATION SHOULD BE OBTAINED?

In opening a successful new business, the entrepreneur will need market information. Answers to a variety of questions are important: What are the needs and wants of the customers? Will the company's products or services fill a current need? If a need is not strong, can it be increased through promotion? Are the products and services timely? What products or services sold by other companies will be competition for those of the new business?

WHAT IS A TARGET MARKET?

Identifying markets and becoming familiar with them will help make a business successful. Products are of little value on a store shelf. Therefore, one of the most important tasks to be accomplished is choosing a target market. The target market represents the people who are most likely to purchase a businesses' goods and services.

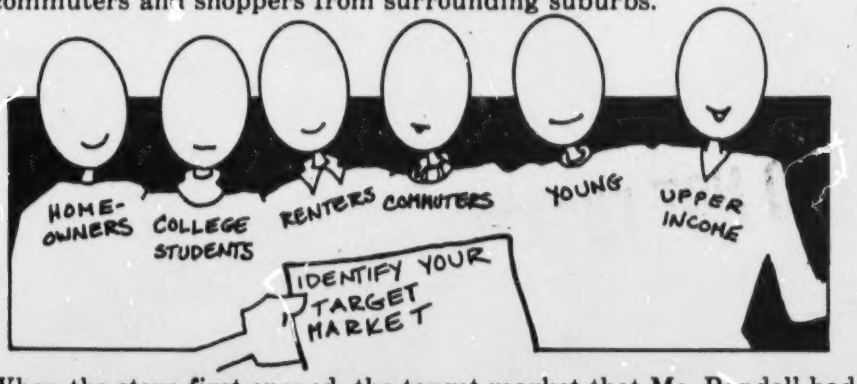


When choosing a target market, several factors need to be considered, including: the costs of selling to the group; anticipated sales volume; size and number of competitors who already are selling in the target market; and the resources required to sell to the target market. For example, a small clothing manufacturer who is thinking about adding swimwear to the company's product line might consider these factors in selecting a target market:

- Racing swimwear is usually plain and lightweight and is inexpensive to produce. Recreational swimwear, however, is designed for appearance and can be more expensive to manufacture.
- The types of racing swimwear are limited, requiring only a few styles. For recreational swimwear, a company may need a larger product line aimed at more ages, sizes, and tastes.
- The distribution of athletic swimwear would be primarily to sporting goods stores. Recreational swimwear would be distributed to almost all clothing stores.
- The advertising for racing swimwear would be limited mainly to sports magazines, whereas advertising for recreational swimwear would probably have to appear in several types of media.
- The prices of athletic swimwear could be higher than recreational swimwear because there are fewer competitors.

WHY ARE TARGET MARKETS IMPORTANT?

The importance of identifying a target market cannot be overemphasized. For example, in 1982 Diana Randell opened her own speciality furniture store, Natural Products, featuring handcrafted items. She found a location for the store in a shopping center in a large midwestern city. Diana characterized the target market as "young, upper income homeowners. Many of them are style conscious consumers in the condominium buildings in the neighborhood, or commuters and shoppers from surrounding suburbs."



When the store first opened, the target market that Ms. Randell had identified did not shop in the store as expected. Instead, college students and single renters were the primary customers. They were not interested in the store's furniture lines, but instead were interested in art pieces and single items of furniture. They generally did not spend enough money to maintain the business at a profit.

Ms. Randell then invested heavily in promotion directed toward her original target market. Through selective use of radio and a local cultural events magazine, she was able to inform the market of her store. Shortly after the promotional emphasis, her business started showing a profit.

This illustrates an important key for business success—effective target marketing. In order to identify target markets, you will need to know the different types of markets and how customers satisfy their wants and needs. These ideas are discussed in the next two sections.

WHAT ARE THE MAJOR TYPES OF MARKETS?

There are basically three types of markets in our economy:

1. Consumer market
2. Industrial market
3. Nonbusiness organization market

The *consumer market* consists of purchasers—individuals or households—who buy products for their own use and who do not buy products for the purpose of making a profit from them.

The *industrial market* consists of individuals, groups, or organizations who make purchases to resell the products or to use them in the operation of their own business. There are many different types of industrial markets:

- **Producers** are individuals or business organizations that make purchases to be used in producing their own products. Buyers of raw materials, purchasers of semifinished and finished items used to produce other products, and service businesses are part of the producer market.
- **Resellers** are middlepersons, such as wholesalers and retailers, who buy finished goods and resell them for the purpose of making a profit. Resellers are involved in providing marketing activities.
- **Government** includes federal, state, county, and local governments that make up governmental markets. They spend billions of dollars annually for a variety of goods and services to support their operations and to provide taxpayers with products and services, such as highways, education, health protection, water, waste disposal, energy, and fire and police protection.

WHAT ARE CONSUMER BUYING MOTIVES?

The *nonbusiness market* consists of institutions and groups with nonprofit service goals. They serve a particular group or provide a social service. Such markets include churches, civic and professional groups, charitable organizations, and so forth.

Consumers buy to satisfy their own or their family's wants and needs. When they buy any product or service, they do so because of what they expect the product or service to do for them.

There are two reasons that motivate people to buy.

They buy for (1) emotional reasons and (2) rational needs.

Emotional buying motives include:

- Pride of personal appearance
- Social achievement
- Ambition
- Cleanliness
- Pleasure
- Increased leisure time

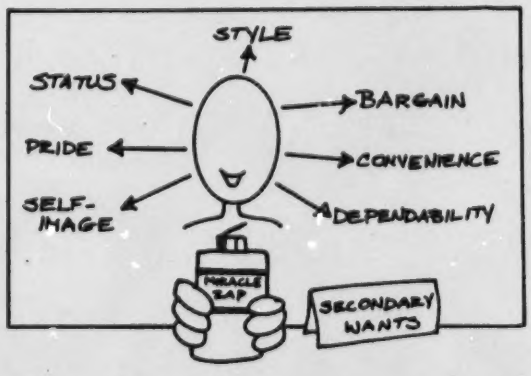
Rational buying motives include:

- Durability
- Economy in use
- Economy in purchase
- Handiness
- Efficiency in operation
- Dependability in use

WHAT DOES RESEARCH REVEAL ABOUT CONSUMER BUYING BEHAVIOR?

Psychologists have found in their research that consumer buying behavior is first directed toward satisfying certain basic needs. These very basic needs include food, drink, and sleep. An individual attempting to fulfill the most basic needs is usually influenced more directly by rational motives. Persons with few resources need the most for their money in terms of quantity, quality, and dependability.

Most Americans live above a basic survival level, and they make many purchases to fulfill needs other than just the basic ones. Therefore, their purchasing is often done to satisfy both rational and emotional buying motives. This fact makes the job of selling to consumers more difficult.



Many consumers won't admit they purchase goods and services to satisfy emotional needs. Most psychologists believe that distinctiveness and pride in personal appearance are emotional buying motives, but customers may think of them in other ways. They

may look for quality or value as well. In this sense, it might be said that all consumer buying motives are logical. However, certain motives generally seem to be more rational than others Because people think of themselves as rational individuals, they tend to express their reasons for buying in very logical ways.

HOW ARE INDUSTRIAL CONSUMERS AFFECTED BY BUYING MOTIVES?

Industrial users tend to be more "rational" in their buying than consumers who buy for personal uses. Industrial users usually buy to fulfill the needs of their businesses. However, entrepreneurs who sell primarily to the industrial market need to be aware that these "rational" organizations are made up of individuals who are often emotional. So even industrial purchases can be made on a somewhat emotional basis.

To market a product or service successfully, you need to be aware of what motivates the primary consumer to buy each product or service. Motivational research can help you to understand buying motives and develop more successful marketing mixes.

HOW ARE CONSUMER MARKETS CHANGING?

All markets, including the industrial and nonbusiness markets, have undergone some basic changes. The consumer market is continously changing. Many factors have contributed to consumer changes, including:

- Population changes, such as shifts in age distribution and greater mobility;
- Size and distribution of income, including increases in total purchasing power and the amount spent for "luxuries";
- Changes in lifestyle and attitudes;
- A greater percentage of women in the work force;
- More leisure time;
- More purchases on credit;
- Increase in the number of white collar and skilled workers;
- Higher overall educational level.

You should watch for changes carefully. In order to respond to them, you may need to modify or refine some of your marketing policies and procedures. Attempting to predict and keep up with changes in the marketplace are important and difficult tasks. Market information must be collected and analyzed continually.

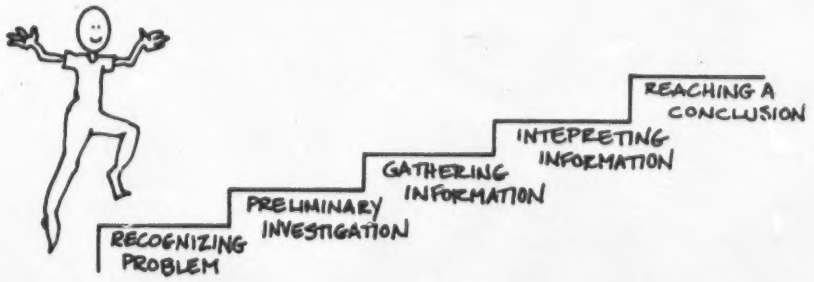
WHAT IS MARKET INFORMATION ANALYSIS?

Market information analysis includes all activities involved in gathering and understanding information about a company's target markets. It includes getting information about the markets' buying habits, the competition, distribution patterns, and sales practices. It includes developing a plan for getting and using all the information needed. For example the small apparel manufacturer who was considering adding swimwear to the company's product line should use market research to determine whether the new line will be successful.

HOW CAN MARKET INFORMATION BE ANALYZED?

In analyzing market information, the traditional problem-solving approach is used. The five steps of problem solving are: (1) recognizing the problem, (2) preliminary investigation, (3) gathering factual information, (4) interpreting the information and (5) reaching a conslusion.

The first step, recognizing the problem, is very important. Identifying the problem is not always a simple process. Often the real problem is not obvious. You must carefully identify the real problem before conducting any of the other steps in market research. If the real problem is not accurately determined, the rest of the marketing research will be wasted, because you will be identifying solutions for the wrong problem.



The second step is making a preliminary investigation of the problem and of possible elements that are parts of it. This step may involve analyzing records, talking with people inside and outside the firm, and reading trade publications. If more information is required, you should identify the best method for obtaining it.

Gathering factual information is the third step. This can be done through a variety of methods, ranging from discussions with experts to a market research study.

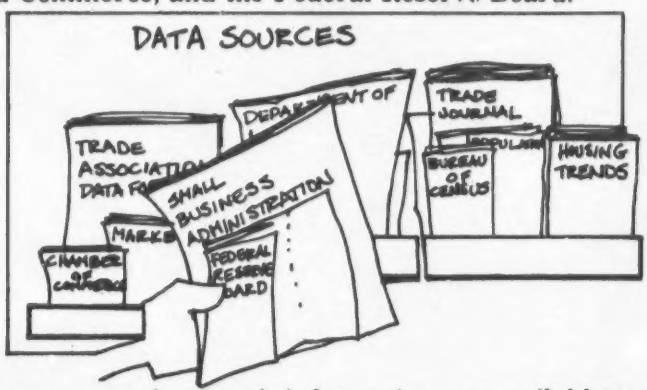
The fourth step is to interpret the information obtained in the previous step—what does it mean and how important is it? The data should be carefully analyzed and possible solutions determined.

In the final step, reaching a conclusion, the best all-around solution should be chosen and used. After putting the soultion into action, the results obtained should be evaluated and used for future reference.

WHAT ARE DATA SOURCES FOR MARKET INFORMATION ANALYSIS?

Many small businesses don't do an information analysis because they believe the sources of information are not accessible or cost too much. However, several free or inexpensive data sources are available to small businesses. The company's own records are a very important source of information. They can be analyzed to determine successful and less successful activities and decisions.

The government is another source of information. The Bureau of the Census publishes information about businesses, population, housing, and so fourth. Numerous reports and pamphlets are published by the Samll Business Administration (SBA), the U.S. Departments of Labor and Commerce, and the Federal Reserve Board.



Many other sources of research information are available to the small business owner. Trade associations collect and publish data for their members. Trade journals often report research findings. Local Chambers of Commerce, banks, newspaper, utility companies, and other organizations can provide useful data. Business magazines and newspaper also contain useful marketing information if read carefully.

Participating in trade shows, exhibits, and conferences allows you to meet business people like yourself and to observe new developments in your field. Local advertising agencies may also prove to be useful sources of information.

WHAT ARE MARKET RESEARCH PROCEDURES?

If information is not already available, business people may need to conduct their own research. Many entrepreneurs feel they are unable to conduct sophisticated market research studies. But much useful basic research can be done using the following problem-solving procedures. Successful research studies follow these steps:

1. Identify the problem
2. Make a preliminary study
3. Plan the research
4. Gather data
5. Interpret the data
6. Develop conclusions

WHAT ARE THE METHODS FOR COLLECTING RESEARCH DATA?

Gathering data for market research can be done in a number of ways. Analyzing your company's past sales records is often a good place to begin. For a new business, two other important methods used in collecting data are interviewing and observing.

The *interview method* is one of the most widely used methods for collecting information. Several distinct types of interviews can be used. The first type is the personal interview. Face-to- face discussion provides the opportunity to gather expert opinions and review issues in detail. Telephone interviews can be a simple, inexpensive method of collecting information. However, you must be careful not to offend the persons you call, or waste their time with unnecessary chitchat. The mail questionnaire is another form of interview, but the percentage of people who respond to mail questionnaires is usually very small. If a small "reward" is offered to complete the mail survey, this percentage will increase slightly. Mailed questionnaires must be attractive and easy to complete. A simple questionnaire can give you helpful information about what customers want, need, like, and dislike.

Another research method is *observation*. For example, you can count pedestrians or automobiles passing a certain spot and gather general information about the age and sex of each passerby and the type of vehicle they may be driving. By observing and talking to customers, you may also get the same results as more sophisticated research methods. Your employees may gather additional information through their observations of and discussions with customers. However, the observation methods are as thorough as the interview methods.

After a business person has gathered and analyzed customer information, decisions about the business can be made. The business must be organized to satisfy prospective customers and make a profit.

WHAT ARE THE "FOUR P's" OF MARKETING?

Marketing contributes to the successful exchange of goods and services between producers and consumers. In order for the marketing function to accomplish its task effectively, there are four controllable elements that a company must combine correctly. These are *product*, *price*, *place*, and *promotion*. They are commonly called the "Four P's" of marketing. The combination of these components is known as the *marketing mix*. If a business can effectively combine the four elements of the marketing mix, sales of products or services should be profitable and customers should be satisfied.

Each component of the marketing mix has a function. First, to develop the *product* component of the marketing mix effectively, it is extremely important to know who the potential customers are and what they want or need. Then the right product—the product that will fulfill their wants and needs—must be produced or purchased.

Price is the second component in the marketing mix. The objective of pricing is to offer the product or service at a price that is equal to the value received by the customer. The right price is the one that (l) will

HOW DO PRODUCT CHANGES AFFECT THE MARKET?

be attractive to customers and (2) is high enough to cover the costs of doing business and generate a profit.

Place is another element of the marketing function. Place simply means making the product or service available at a place that is convenient for customers. In order to implement this component effectively, the entrepreneur must know customers' buying habits. Finding the right place depends upon the type of product or service and how the customers normally buy that product or service.

The last component of the marketing mix is *promotion*. Promotion involves trying to determine the proper means of communicating the availability and benefits of the product or service to the potential customer. Deciding on the right methods of promotion will involve a careful analysis of the product, price, and place components of the marketing mix. Each of the mix elements must be examined in detail.

Throughout American business today, there is continuous development of new products and improvement of existing ones. Although product change is a part of all industries, the rate of change varies. For example, the home sewing machine was invented in 1830, but the American market is still far from saturated—that is, many Americans continue to buy new sewing machines. In contrast, television approached market saturation just ten years after its commercial introduction. Although few industries have experienced change as rapidly as television, most go through similar processes of product change.

Some people wonder whether product change is necessary, or whether it is just a way to show a difference between new products and old ones or between one manufacturer's product and the products of competitors. Many product changes do result from manufacturer attempts to create new consumer demand in formerly saturated markets. However, there are many other factors that make it necessary to update products.

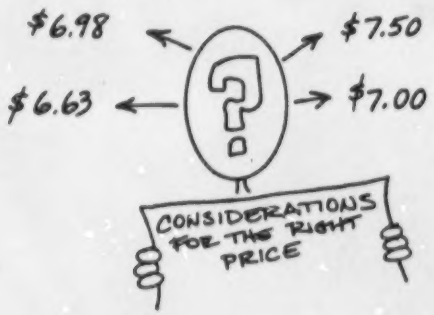
Market changes are a primary factor in making existing products and product lines inadequate. Because markets are so big, it is unlikely that a single product can satisfy all customers. Changes in technology have decreased markets for old products and created entirely new markets. When prices go down in the overall market, companies must lower the prices on their own products. One way to do this is to lower production costs and find more efficient production methods.

HOW ARE PRICES DETERMINED?

The pricing of goods and services in all types of business is similar in several basic ways. Most businesses arrive at pricing decisions based on cost-plus—that is, totaling the costs of providing the product or

service and adding a sum for profit. Cost-plus pricing techniques do not take customer demand into account, so the price may not be what customers are willing to pay.

Pricing is perhaps the most complex marketing decision. There is no one best formula to use to establish prices. A price strategy is only effective if the customer is willing to pay the price and a profit is received. Some computer and technology advancements have simplified pricing decisions. To be successful, a marketing strategy must set prices that are both satisfying to customers and profitable to the business.



Retailers have some of their prices suggested by manufacturers and wholesalers. Generally, wholesale prices as well as retail prices are based on the *markup* (amount added to the cost of the product) necessary to handle each line of goods profitably. Suggested prices are sometimes marked on the product by the manufacturer. Even though some prices are recommended, retailers still need to determine their own prices for many or most of the items they sell.

WHAT IS A RETAILERS PRICING GOAL?

The goal for the retailer is to balance high and low markup items to achieve an average markup that produces a desirable profit for the overall operation. This gross profit margin, usually expressed as a percentage of cost or selling price, must pay for all expenses and provide for a profit. For example, the average gross margin needed by a business may be 35 percent. All goods must be sold at a price that is an average of 35 percent above their cost price.

Because of demand and competition, some goods will be marked higher and some lower than 35 percent. Some products can have only a very little markup. Competition is such that if the retailer were to price the item even slightly above competition, it would not sell. Other items that are not as competitive may have a much higher than average *markup*.

HOW DO CHANNELS OF DISTRIBUTION AFFECT MARKET PLANNING?

Marketing of goods and service includes eight basic functions. Historically, wholesalers and retailers have performed the transporting, storing, and financing functions. However, all of the eight functions must be performed by someone; none can be eliminated. Taking a product directly to the consumer does not eliminate marketing functions.

Channels of distribution provide the way for producers' products to move to customers. The cost of goods is directly related to the channel of distribution used. So how a firm's product will be distributed is one of the most important decisions an entrepreneur must make.

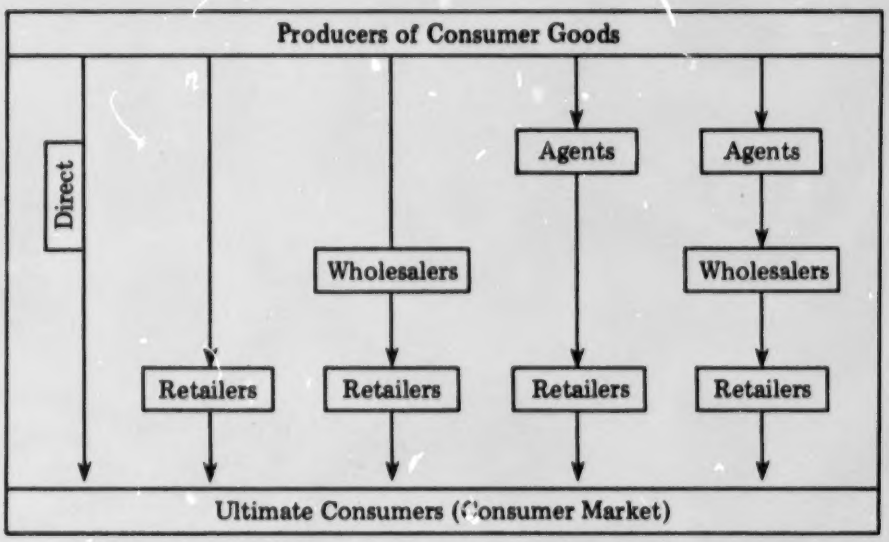
HOW SHOULD A MARKETING CHANNEL BE SELECTED?

In determining which channel to use, you should consider (1) the nature of the product, (2) the size and location of the market, (3) the availability of suitable channel members, and (4) your ability to manage all of the marketing activities.

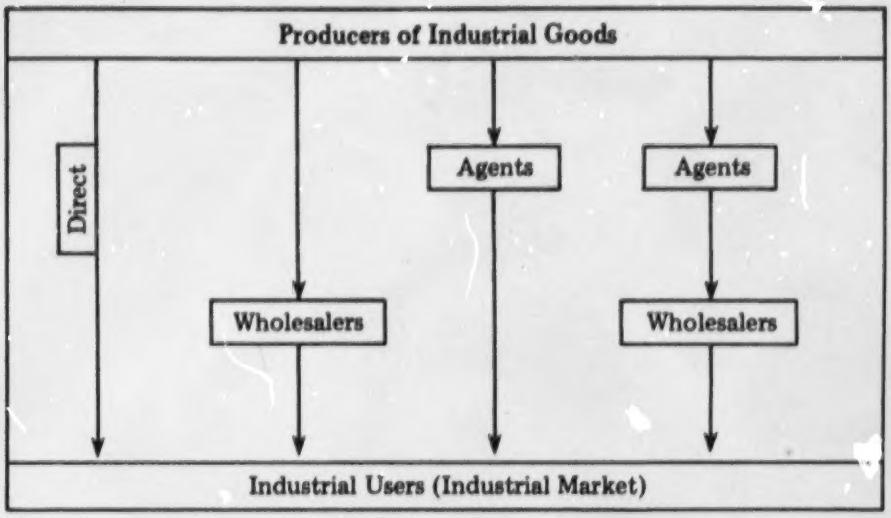
If market conditions or buyer attitudes change, distribution channels should be checked to be sure they are getting goods to prospective buyers in the most effective way. If other channel members change their distribution plans, you may have to adjust your own plan. For these reasons, you need to reevaluate policies on marketing channels regularly.

WHAT ARE THE CHANNELS OF DISTRIBUTION CHOICES?

Producers of consumer goods have five main channel choices. One involves direct-to-consumer distribution and four use indirect distribution through one or more types of wholesale and retail businesses.



Producers of industrial goods have four main channel choices. One involves direct-to-industrial user distribution and three use indirect distribution through one or more types of wholesalers.



WHAT ARE THE MODES OF TRANSPORTATION?

Selecting distribution channels requires some knowledge of the various modes of transportation available. Selecting the best type of transportation to get the job done for the least cost is becoming more and more important because of increases in transportation costs and difference in levels of transportation services.

There are several types of carriers to choose from. A producer or manufacturer needs to select the type of carrier that best suits his or her needs. Sometimes two or more types of carriers will be used.

Common carriers (trucks) can be hired by any shipper and are under the regulation of the Interstate Commerce Commission. They haul about one third of all motor freight. Common carriers have to charge certain rates and must operate over certain established routes.

Contract carriers can enter into special agreements with individual shippers and are not as restricted as common carriers. They agree to move specified shipments for a company and can establish their own rates.

Private carriers are company-owned trucks that haul company goods only.

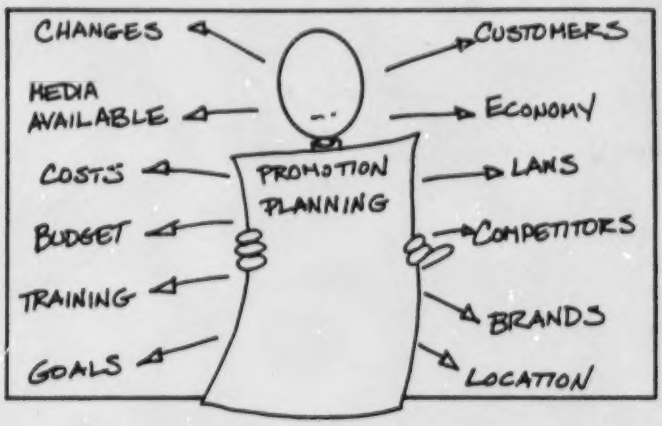
Air freight is being used more and more today because of increases in motor freight charges and the speed of air freight. It is most frequently used for quick delivery and smaller items. However, several air carriers will handle large and heavy shipments.

Railroads have provided a vital link in many channels of distribution for years. Railroads are generally quite reliable. Piggyback cars, (flatcars on which trailers can be loaded), have increased railroad efficiency. Shipments in containers are often carried on rail, and then transferred to trucks for local delivery.

Containerization involves the use of portable containers in which a producer can pack goods. This reduces packaging costs and losses due to theft and damage. The goods can travel great distances, change carriers, and never have to be taken from containers. A container can be removed from the flatcar and put on board a ship, taken halfway around the world, lifted from the ship, deposited on another railroad flatcar or on a truck, and further transported. The goods remain packed as the original producer placed them.

WHAT ARE THE METHODS OF CONSUMER COMMUNICATIONS?

The finest product or service is useless until it is in the customer's hands. Most people must be informed and motivated before they will buy products: Promotion is used for that purpose. Advertising, personal selling, and sales promotion are the major ways businesses communicate with customers. They are becoming more and more important. Whether a business should use them is no longer the question. Now entrepreneurs should be asking, "How much and what kind of promotion do I need?"



HOW CAN ADVERTISING HELP A BUSINESS?

The two major goals of advertising are to attract new customers and to keep the old ones. In order to achieve these objectives, good advertisements must do what good salespeople do—they must follow the AIDA formula. This means that—

1. (A) The advertisement must get the Attention of the desired audience.
2. (I) Once the attention is attained, Interest must be held.
3. (D) In holding interest, the advertisement must create a Desire for whatever is being advertised.
4. (A) Once attention, interest, and desire have been attained, the advertisement must induct the customer to Act—to go to the business offering the product.

However, advertising is not a cure-all. There are a number of things advertising cannot do, including:

- It cannot make a business succeed if that business offers a poor product or inferior service;
- It cannot lead to sales if the prospective customers it brings to the business are ignored or poorly treated;
- It cannot create customers overnight, or increase sales with a single effort;
- It will not build confidence in the business if it is untruthful or misleading.

Small businesses commonly use written advertisements and radio. Small businesses use the local daily and weekly newspapers, and direct mailing more often than TV and magazines.

WHAT SERVICES DO ADVERTISING AGENCIES OFFER?

Advertising agencies prepare and place ads for business. The decision to use an advertising agency should be made carefully. The decision should be based on whether or not the agency can do a more effective and efficient job than the business.

If you decide to use an advertising agency, you should select an agency that has had experience with businesses of a similar size and knows the needs and budget of the small business. If advertising dollars are to produce the maximum possible impact on sales and profits, then all the parts of the program must be skillfully put into action, no matter who prepares the ads.

Most advertising agencies are paid on commission. These agencies receive the bulk of their fees from advertising media rather than from advertisers. Advertising agencies buying space and time on behalf of advertisers are granted a certain discount, usually 15 percent. They bill the business at the actual rate.

HOW SHOULD PROMOTIONAL METHODS BE MIXED?

Determining the proper "mix" of advertising, sales promotion, and personal selling is one of the fundamental tasks of marketing. If the entrepreneur decides to rely mostly on personal selling, advertising should be used to make the salesperson's selling efforts more effective. For example, advertising may be used to make customers more receptive to your sales presentation, or to tell part of the selling message, thus saving much of your salesperson's time. The opposite situation is true when you decide to rely mainly on advertising; here, advertising does your preselling, and order taking becomes your salesperson's chief function.

WHAT QUESTIONS SHOULD BE ASKED WHEN DEVELOPING THE MARKETING MIX?

Each of the marketing mix elements has been reviewed. They must be developed and coordinated as a part of marketing planning. Before getting too specific in planning a marketing mix, however, you should answer a series of questions. These questions are designed to identify the target market, but they also provide valuable information for developing the mix.

- Who are the people that are most likely to buy from my business?
- What are their primary needs or uses for the product?
- Are some needs more important than others?
- What other products or brands might they consider to satisfy their needs?
- What do customers identify as the advantages and disadvantages of each of my competitors' products or brands?
- Are some customers more dissatisfied than others with competitors' products?
- Who will be my best customers?
- How can they be identified?
- Where are they located?
- How do they typically shop for this type of product?

WHAT ARE DECISIONS REGARDING THE MIX?

When you have identified your potential customers, and your competitors' strengths and weaknesses, you will understand what is needed to be successful in the market. This information is very important as you begin to develop your best marketing mix.

You will need to make several decisions as you plan each element of your marketing mix. Every business will not be able to make each of the decisions. A manufacturer has more control over product features and packaging than a retailer has. A wholesaler will usually not get involved in direct promotion to consumers. However, the important decisions for each mix element are—

- **Product**

  What is the physical product?
  What additional features/accessories are needed?
  What are the functions or uses of the product?
  Do services need to be provided?
  Does the customer expect guarantees or warranties?
  How should the product be packaged for shipment?
  How should it be packaged for the consumer?
  What image should the product project?
  What brand name should be used?

- **Price**

  What price is needed in order to make a profit?
  What price will customers be willing to pay?
  What price should be charged to channel members?
  Who determines the price customers will pay?
  Should discounts and allowances be provided?

Should coupons, rebates, markdowns, or sales be used?
Should credit be extended to customers?
How should the business respond to competitor's prices?

- **Place**

  Who should be involved in product distribution?
  What marketing functions should be performed by each channel member?
  What transportation methods will be used?
  Where will the products be made available to customers?
  How will products be handled, stored, displayed, and controlled?
  How will orders be processed?
  What services do customers expect?
  Who will be responsible for products that are damaged or not sold?

- **Promotion**

  What information do customers need?
  Should promotions be informational, persuasive, or be reminder messages?
  Do all customers need the same information?
  What combination of advertising, personal selling, sales promotion, and publicity is needed?
  Will mass or individual promotion be most effective?
  What media should be used?
  How often must information be communicated to customers?

Of course the costs involved in making each decision are important to the business. The costs of developing a marketing mix must be balanced with the effectiveness of the mix in satisfying the needs of the target market.

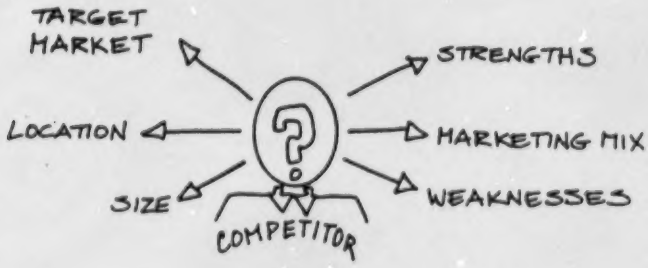
These decisions can be used as an effective checklist to test marketing decisions. You should review each mix element regularly to ensure the best decisions have been made.

The final step of marketing planning is the development of an actual, written *marketing plan*. A marketing plan is a document that identifies marketing activities and responsibilties for a specific time period. The time period is often one year, but could be a bit shorter or longer depending on the needs of the company. Marketing plans may be brief or quite lengthy, but they should contain enough information to direct the company's marketing efforts. The plan is not written in enough detail if people are not sure of the marketing activites that must be accomplished, or if they are unable to judge the success of marketing activities.

Even a small business should develop a written marketing plan. It forces an owner to think carefully about the planning period and what needs to be done during that time. It also shows relationships among all of the firm's activities.

Finally, if a written plan is not available, it is easy to ignore some activities, lose track of the direction of the business, or to change marketing plans whenever a short-term problem occurs. The major parts of a marketing plan are:

- **Market Description.** The target market(s) to be served should be described in detail.
- **Marketing Objectives.** The goals of the firm for a particular period of time should be written. They should be written specifically so they can be evaluated later to determine if the business has been successful. Goals may relate to sales, profits, market share, customers, products, and many other factors.
- **Competition.** Competitors, their products, customer groups, strengths, and weaknesses should be described.



- **Environment.** Any factors in the marketplace that could affect the company's success should be described. The economy, state and federal laws and regulations, new products, population changes, and others should be described if they might influence the business.
- **Marketing Mix.** Each element of the marketing mix should be described. Then marketing activities related to each mix element can be described, time tables developed, and responsibilities assigned. This section can be quite brief or very detailed, depending on the size of the business, number of employees, and amount of marketing activities performed.
- **Budget.** An anticipated budget should be developed to show how funds are to be spent for major marketing activities.

It is apparent that it will take time to complete the planning activities described above. It will be tempting for a business person to omit much of the planning or to spend little time at it. Time spent in planning marketing activities should result in less time required to accomplish those activities. It also should result in better and more profitable operations. Finally, it will provide useful information for the business person to use in checking the performance of the business. Problems can be identified and corrected more easily if a good marketing plan is available.

ACTIVITIES

Do you feel knowledgeable enough about what it takes to become an entrepreneur? Will you be able to put some of the skills into practice? The following activities will help you experience some of the real-life situations of entrepreneurs.

INDIVIDUAL ACTIVITY

Identify two businesses in your community that sell women's or men's clothing. Interview the managers of each store to determine their target market. Through informal study, describe the marketing mix being used by each store. Report on your findings.

INDIVIDUAL OR SMALL GROUP ACTIVITY

For a one-week period, study several newspapers and business journals. Identify all information from those sources that could help a business person define characteristics of target markets. From your school or city library, prepare a list of government publications that could provide useful information about consumers.

GROUP ACTIVITY

Select a high-priced product (furniture, automobile tires, stereo equipment). Go to several stores and write down the price each store charges for the product. Prepare a written report that analyzes the reasons for differences in prices for the same product in the same community.

GROUP ACTIVITY

As a group, prepare a list of fifteen products each of you has purchased. On your own, list the primary emotional and rational reason you used to purchase each product. Again, as a group, prepare a total list of all buying motives. Discuss the results.

INDIVIDUAL ACTIVITY

As a group, identify a product that you would like to market: Then develop a detailed marketing plan for the product, using the outline presented in this unit. When completed, ask a business person to review the marketing plan and discuss it with your group.

Review the case study describing Diana Randell's business, National Products, in this unit. Based on that case study, develop a sample marketing plan for the business. Use your city or a large city close to you in order to generate competition information, environmental information, and a sample budget.

ASSESSMENT

Directions: Read the following assessment questions to check your own knowledge of the information in this PACE unit. When you feel prepared, ask your instructor to assess your competency.

1. Define the marketing concept.
2. Differentiate between a seller's market and a buyer's market.
3. List five factors that must be considered when selecting a target market.
4. Describe the three types of markets in our economy.
5. Identify the five steps in analyzing market information and describe the activities to be completed in each step.
6. Identify two alternative strategies available to entrepreneurs for each of the four marketing mix elements:
7. Outline the components of a marketing plan.

SOURCES USED TO DEVELOP THIS UNIT

Ely, Vivien King and Barnes, Michael T. *Starting Your Own Marketing Business.* 2d ed. New York: McGraw-Hill Book Co., 1978.

Rutt, Roger W. *Creating a New Enterprise.* Cincinnati OH: South-Western Publishing Co., 1982.

Kurloff, Arthur H. and Hemphill, John M. *How to Start Your Own Business . . . and Succeed.* Rev. ed. New York, McGraw-Hill Book Co., 1981.

Mason, Ralph E.; Rath, Patricia Mink; Ross, Herbert L. *Marketing and Distribution.* 2d ed. New York: McGraw-Hill Book Co., 1974.

For further information, consult the lists of additional sources in the *Resource Guide.*

PACE

Unit 1. Understanding the Nature of Small Business

Unit 2. Determining Your Potential as an Entrepreneur

Unit 3. Developing the Business Plan

Unit 4. Obtaining Technical Assistance

Unit 5. Choosing the Type of Ownership

Unit 6. Planning the Marketing Strategy

Unit 7. Locating the Business

Unit 8. Financing the Business

Unit 9. Dealing with Legal Issues

Unit 10. Complying with Government Regulations

Unit 11. Managing the Business

Unit 12. Managing Human Resources

Unit 13. Promoting the Business

Unit 14. Managing Sales Efforts

Unit 15. Keeping the Business Records

Unit 16. Managing the Finances

Unit 17. Managing Customer Credit and Collections

Unit 18. Protecting the Business

Resource Guide

Instructors' Guide

Units on the above entrepreneurship topics are available at the following three levels:

- Level 1 helps you understand the creation and operation of a business
- Level 2 prepares you to plan for a business in your future
- Level 3 guides you in starting and managing your own business

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